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The Treasury Note

A monthly newsletter of California municipal finance
August 1, 2002

Revenue Anticipation Notes

The Treasury Note is proud to present another article in a continuing series intended to familiarize our readers with the different types of bonds issued by the State of California. This article features Revenue Anticipation Notes.

Temporary cash flow imbalances in the General Fund, the State's principal operating fund, occur when the receipt of revenues and payment of state expenses are mismatched. Revenue Anticipation Notes (RANs) are short-term obligations issued as part of the State's cash management program to maintain the required cash flow in the General Fund. RANS must mature by the end of the fiscal year in which they were issued.

The State of California has issued RANs every fiscal year since 1982-1983 except in fiscal year 2000-2001. In 1982-1983, the state issued \$850 million in RANs. The most recent RANs, issued in October 2001, was for \$5.7 billion. These RANs matured and were repaid on June 28, 2002. The State expects to issue \$7 billion in RANs for fiscal year 2002-2003 in the fall of 2002.

California's Budget

As of the printing of this newsletter, the State's budget for fiscal year 2001-2003 had not been enacted. If you own State-issued bonds, the budget delays **will NOT affect** your debt service payments. Debt service payments to bondholders are continuously appropriated and do not require passage of the State's budget each year. *The Treasury Note* will provide more 2002-2003 budget information in its next issue.

Bondholder Services

In November 2001, *The Treasury Note* announced the appointment of the Bank of New York Western Trust Company as the State of California's registrar and paying agent for the State's \$6 billion in outstanding bearer and registered bonds. The following is an update on the transfer of these responsibilities, which is being implemented in three phases.

The first phase began in December 2001, with the transfer of registered bonds with semi-annual payments in January/July, February/August, and March/September. The second phase took place on July 1, 2002. This consisted of all bearer issues and issues previously serviced by U.S. Bank. We anticipate that the third and final phase will include registered bonds with semi-annual payments in April/October, May/November, and June/December, and should be completed by December 31, 2002.

Bondholders will receive a letter when servicing for their particular bond has been transferred to the Bank of New York. The letter will contain detailed information regarding where to present their bonds for payment. The Bank of New York is committed to maintaining the high standards of service the State of California has provided in the past. Bondholders also can present their bonds and coupons for payment at the State Treasurer's Office payment window located at 915 Capitol Mall, Sacramento, California. If you need additional information or assistance, please contact the State of California's *Bondholder Services Section* at (800) 900-3873.

Did you know...

- ? California's economy ranks as the fifth largest in the world, behind the United States, Japan, Germany, and the United Kingdom
- ? California's Gross State Product exceeds \$1.3 trillion
- ? The State's economy is the largest in the U.S.
- ? California's economy represents 13 percent of the nation's economy
- ? California exports to over 220 countries
- ? The State is home to one million businesses
- ? California was the destination of an estimated 296 million domestic and international travelers in 2001
- ? California's travel and tourism industry generates approximately \$4.8 billion in tax revenues

Redemptions & Defeasances

There are no redemptions and defeasances to announce for August 1, 2002. Questions regarding redemptions or registration information can be directed to *Investor Relations*.

Information & Assistance

To receive The Treasury Note newsletter monthly or for bond related questions contact *Investor Relations* at

(800) 900-3873

For updated information regarding upcoming bond sales, the State's credit rating, and other bond related information, log on to our website at

www.treasurer.ca.gov



Bond Sales Calendar^{1, 2}

If you are interested in purchasing any of these bonds, please contact your broker two weeks before the sale date. For updated information, check our website (www.treasurer.ca.gov) or call *Investor Relations*.

PROPOSED BOND SALES	AMOUNT	SALE DATE
DWR Power Revenue Bonds	\$11.1 billion	To be determined
Revenue Anticipation Notes	\$7 billion	Fall 2002
General Obligation Bonds (Fixed Rate)	\$1 billion	Fall 2002
State Public Works Board	\$400 million	Fall 2002
State Public Works Board	\$180 million	Fall 2002
Tobacco Securitization Bonds (Subject to Legislation)	\$4.5 billion	January/April 2003

¹ Subject to change

² Economic refundings may be added